

**REPORT OF THE AUDIT OF THE
WOLFE COUNTY
SHERIFF**

**For The Period
June 23, 2009 Through December 31, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WOLFE COUNTY SHERIFF

**For The Period
June 23, 2009 Through December 31, 2009**

The Auditor of Public Accounts has completed the Wolfe County Sheriff's audit for the period June 23, 2009 through December 31, 2009. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$7,197 from the prior year, resulting in excess fees of \$7,468 as of December 31, 2009. Revenues decreased by \$51,105 from the prior year and expenditures decreased by \$58,302.

Debt Obligations:

Capital lease principal payments totaled \$278 as of December 31, 2009. Future principal payments of \$1,113 are needed to meet these obligations.

Report Comment:

- The Sheriff Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11
COMMENT AND RECOMMENDATION	15



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Raymond Hurst, Wolfe County Judge/Executive
The Honorable Chris Carson, Wolfe County Sheriff
Members of the Wolfe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Wolfe County, Kentucky, for the period June 23, 2009 through December 31, 2009. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the period June 23, 2009 through December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 2010, on our consideration of the Wolfe County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Raymond Hurst, Wolfe County Judge/Executive
The Honorable Chris Carson, Wolfe County Sheriff
Members of the Wolfe County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Wolfe County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 11, 2010

WOLFE COUNTY
CHRIS CARSON, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period June 23, 2009 through December 31, 2009

Revenues

Federal Grants		\$	2,006
State - Kentucky Law Enforcement Foundation Program Fund			656
State Fees For Services:			
Finance and Administration Cabinet	\$	5,981	
Sheriff Security Service		8,563	
Cabinet for Health and Family Services		<u>570</u>	15,114
Circuit Court Clerk:			
Fines and Fees Collected		1,782	
Court Ordered Payments		<u>540</u>	2,322
Fiscal Court			33,378
County Clerk - Delinquent Taxes			5,574
Commission On Taxes Collected			49,749
Fees Collected For Services:			
Auto Inspections		682	
Accident and Police Reports		270	
Serving Papers		6,000	
Carrying Concealed Deadly Weapon Permits		<u>460</u>	7,412
Other:			
Add-on Fees		3,559	
Transports		1,066	
Miscellaneous		<u>15</u>	4,640
Interest Earned			70
Borrowed Money:			
State Advancement			<u>14,000</u>
Total Revenues			134,921

The accompanying notes are an integral part of this financial statement.

WOLFE COUNTY
CHRIS CARSON, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Period June 23, 2009 through December 31, 2009
(Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$	14,828
Other Salaries		16,296
Contracted Services-		
Computer		2,895
Inmate Transport		24
Vehicle Maintenance and Repairs		12,410
Materials and Supplies-		
Office Materials and Supplies		912
Uniforms		3,160
Auto Expense-		
Gasoline		11,125
Other Charges-		
Conventions and Travel		1,176
Dues		359
Postage		198
Telephone		247
Checks and Deposit Books		349
Miscellaneous		584
Capital Outlay-		
Office Equipment		447
	\$	65,010

Debt Service:

State Advancement		28,938
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Total Expenditures	\$	93,948
Net Revenues		40,973
Less: Statutory Maximum		32,623
Excess Fees		8,350
Less: Training Incentive Benefit		882
Excess Fees Due County for 2009		7,468
Payments to Fiscal Court - February 26, 2010		7,468
Balance Due Fiscal Court at Completion of Audit	\$	0

The accompanying notes are an integral part of this financial statement.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Wolfe County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Wolfe County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 4. Lease

The Office of the Sheriff was committed to a lease agreement with Xerox for a copier. The agreement requires a monthly payment of \$46 for 60 months to be completed on January 1, 2012. The total remaining balance of the agreement was \$1,113 as of December 31, 2009.

Note 5. Special Account

The former Sheriff transferred \$1,540 to the current Sheriff's special account. The special account is used to maintain and track donated funds from outside parties. Expenditures from the account during the period totaled \$1,055. As of December 31, 2009, the account had a balance of \$485.

Note 6. State Advancement

The former Sheriff's office obtained a state advancement for \$28,938 for the calendar year 2009. The former Sheriff received \$14,938 for the period January 1, 2009 through June 22, 2009. The current Sheriff received \$14,000 for the period June 23, 2009 through December 31, 2009. The Sheriff repaid the state advancement of \$28,938 for the calendar year 2009.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Raymond Hurst, Wolfe County Judge/Executive
The Honorable Chris Carson, Wolfe County Sheriff
Members of the Wolfe County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Wolfe County Sheriff for the period June 23, 2009 through December 31, 2009, and have issued our report thereon dated August 11, 2010. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wolfe County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying comment and recommendation that we consider to be a significant deficiency in internal control over financial reporting.

- The Sheriff Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Wolfe County Sheriff's financial statement for the period June 23, 2009 through December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Wolfe County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, cursive script.

Crit Luallen
Auditor of Public Accounts

August 11, 2010

COMMENT AND RECOMMENDATION

WOLFE COUNTY
CHRIS CARSON, SHERIFF
COMMENT AND RECOMMENDATION

For The Period June 23, 2009 through December 31, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office lacks adequate segregation of duties for receipts and disbursements. Due to the entity's diversity of official operations, small size, and budget restrictions, the sheriff has limited options for establishing an adequate segregation of duties. Currently, the bookkeeper collects receipts, records transactions, issues and signs checks, and posts amounts to the receipts and disbursements ledgers. We recommend that the Sheriff either segregate these duties or perform the following compensating controls to help offset this weakness:

- Agree daily deposits to the daily checkout sheet and the receipts ledger
- Agree quarterly financial reports to the receipts and disbursements ledger
- Compare invoices to payments and sign all checks
- Perform surprise cash counts of receipts

If the Sheriff performs these compensating controls, he should initial the supporting documentation reviewed. We noted the daily checkout sheets were reviewed as well as the bank reconciliations were reviewed and initialed by the Sheriff. However, the Sheriff should initial the ledgers to show he reviewed.

Sheriff's Response: No response.

